2015 ULI
SPRING MEETING
HOUSTON, TEXAS MAY 13–14, 2015

# Optimizing Today's Infill Opportunities
# The Evolution of In-fill Development

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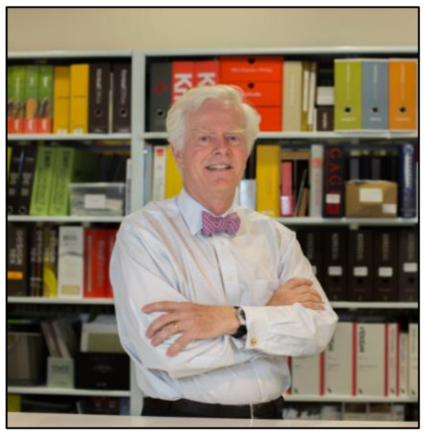

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# **Density** Top 20 Fastest Growing US Metros

- Houston - 1,231,393
- Dallas-Ft. Worth - 1,210,229
- Atlanta - 1,020,879
- Riverside, CA - 970,030
- Phoenix - 941,011
- Washington, D.C. - 785,987
- Las Vegas – 575,504
- New York – 574,107
- Miami – 557,071
- Orlando – 489,850
- Austin – 466,526
- Los Angeles – 463, 210
- San Antonio – 430, 805


*Ranked by population added between 2000-2011*

# **Density** Per Acre

| City Area | Square Miles | Persons / Acre |
|---|---|---|
| Paris | 185 | 91 |
| Rome | 110 | 39 |
| New York | 368 | 30 |
| Boston | 51 | 17.2 |
| Chicago | 228 | 21 |
| San Francisco | 45 | 23.5 |
| Los Angeles | 465 | 9.7 |
| Houston | 1,100 | 1.7 |

# The **Cost** of Suburban Sprawl

Sprawl is estimated to cost the United States **$1 Trillion** per year.

The long-term infrastructure cost of maintaining freeways, MUDs, sewer, water, electric service, police, fire protection and EMS is **unsustainable**.

Sprawl is responsible for at least **$625 Billion in direct incremental costs**, as well as an extra **$400 Billion in external costs** on government, businesses and other households.

# Evolution of Infill Housing

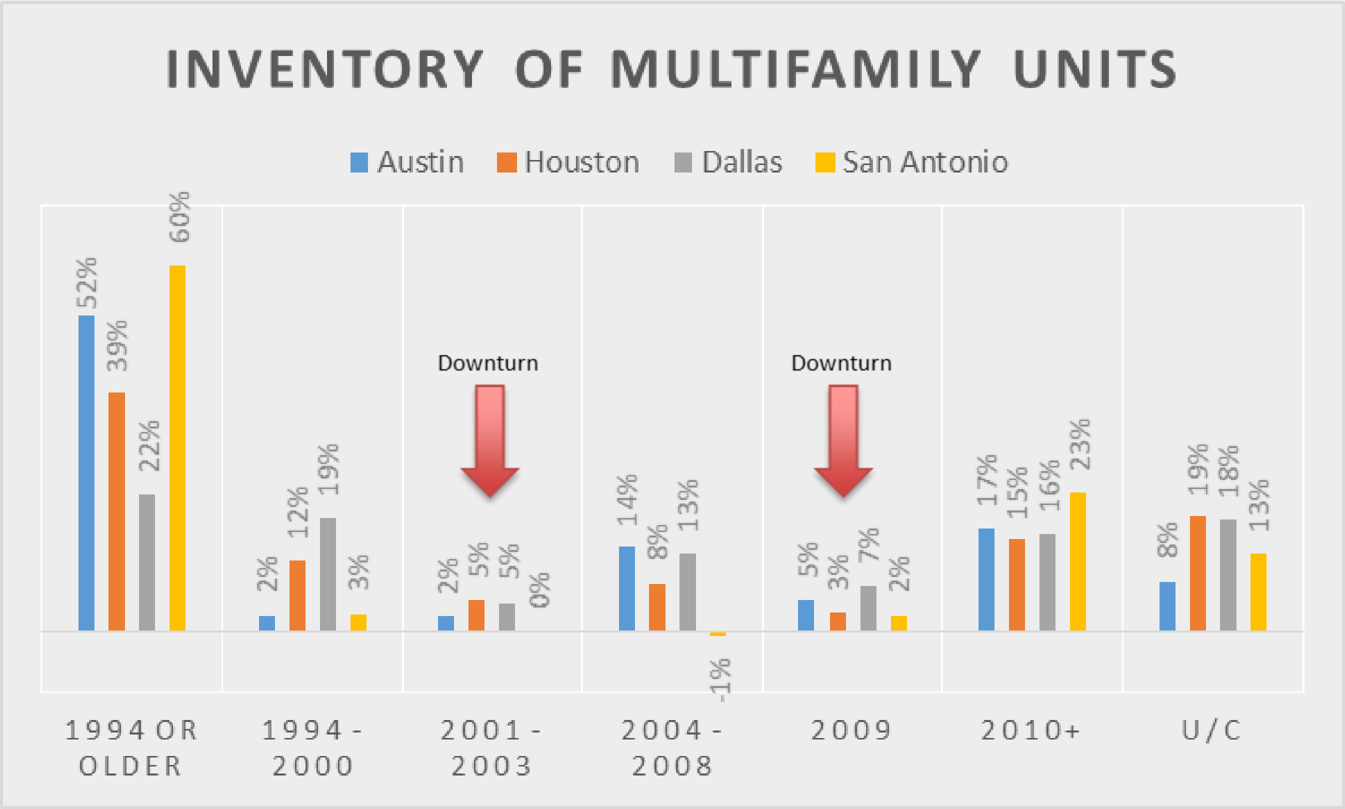
# Demographics of Infill Submarkets

| ESRI Est. 2014 | Austin | Houston | Dallas | San Antonio |
|---|---|---|---|---|
| Total Population | 61,380 | 158,128 | 58,579 | 160,049 |
| Avg. Household Size | 1.9 | 1.8 | 1.7 | 2.8 |
| Median Age | 24.0 | 36.0 | 31.5 | 34.8 |
| % 25 to 44 | 25% | 43% | 53% | 26% |
| % 45 to 54 | 7% | 12% | 11% | 12% |
| % 55 to 64 | 6% | 12% | 7% | 11% |
| Avg. HH Income | $77,185 | $100,039 | $99,249 | $41,671 |
| % Homeowner Occupied | 29% | 40% | 14% | 46% |

*Source: Submarkets as Defined by MPF Research*
*Downtown/University - Austin*
*Downtown/West Inner Loop and Greenway Plaza/Upper Kirby - Houston*
*Intown - Dallas*
*Central – San Antonio*

- Austin is influenced by college students
- Houston's infill stock is more balanced (homeowner vs. renter) and contains the strongest presence of Generation X and Baby Boomers
- Dallas has lowest homeownership rate and highest % of Millennials

# Evolution of Multifamily Development




*Source: MPF Research, Meyers Calculations*

- ✓ **With the exception of the downturns, Dallas has consistently delivered MF units**
- ✓ **Houston's volume of supply has ramped up more recently**
- ✓ **Austin's pipeline is the most volatile**
- ✓ **San Antonio contains the oldest stock, new development is recent**

# Trends in Building Design

# HINES MARKET SQUARE

ZIEGLER COOPER

# CATALYST

ZIEGLER
COOPER

CAMDEN

ZIEGLER COOPER

# GABLES PARK PLAZA

ZIEGLER COOPER


# GABLES TANGLEWOOD

ZIEGLER COOPER

# Peanut Factory Lofts


## THE VITRÉ – 700 WEST HOUSTON

Just blocks from the University of Texas San Antonio Downtown campus, this $33 million project consists of 242 market rate apartments, structured parking, and 5,110 square feet of commercial space. Artfully incorporating the historic façade of the Maureaux Building by blending turn-of-the-century and contemporary architectural motifs, Vitré received $3,825,719 in public incentives and is currently schedule for completion in Summer 2017.

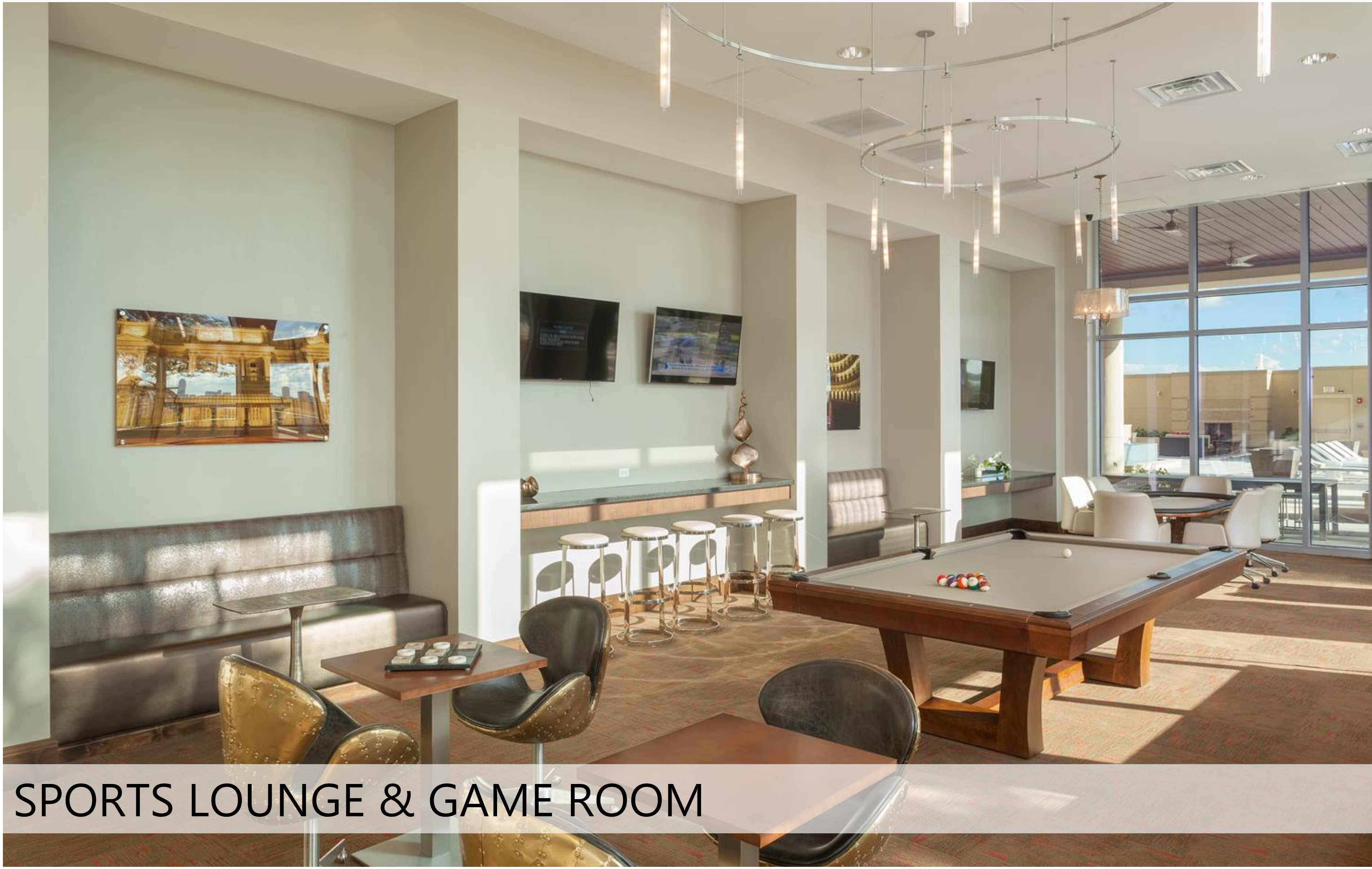
# Cottages at Larkin

# Park Place

# Trends in Community Amenities

ELEVATED POOL DECK


URBAN WINDOW & WIFI LOUNGE



# SPORTS LOUNGE & GAME ROOM

# FITNESS FACILITY


# FITNESS FACILITY

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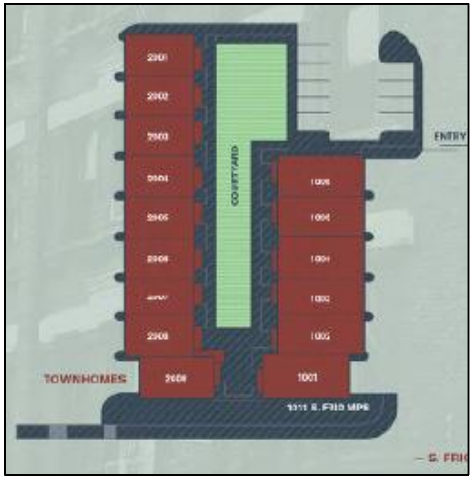
DOG PARK

# Indoor/Outdoor Spaces

# Courtyards



# Cocktail Pools

# Skyline Views

# Ballpark Views

# Trends in Unit Amenities

# Small Units



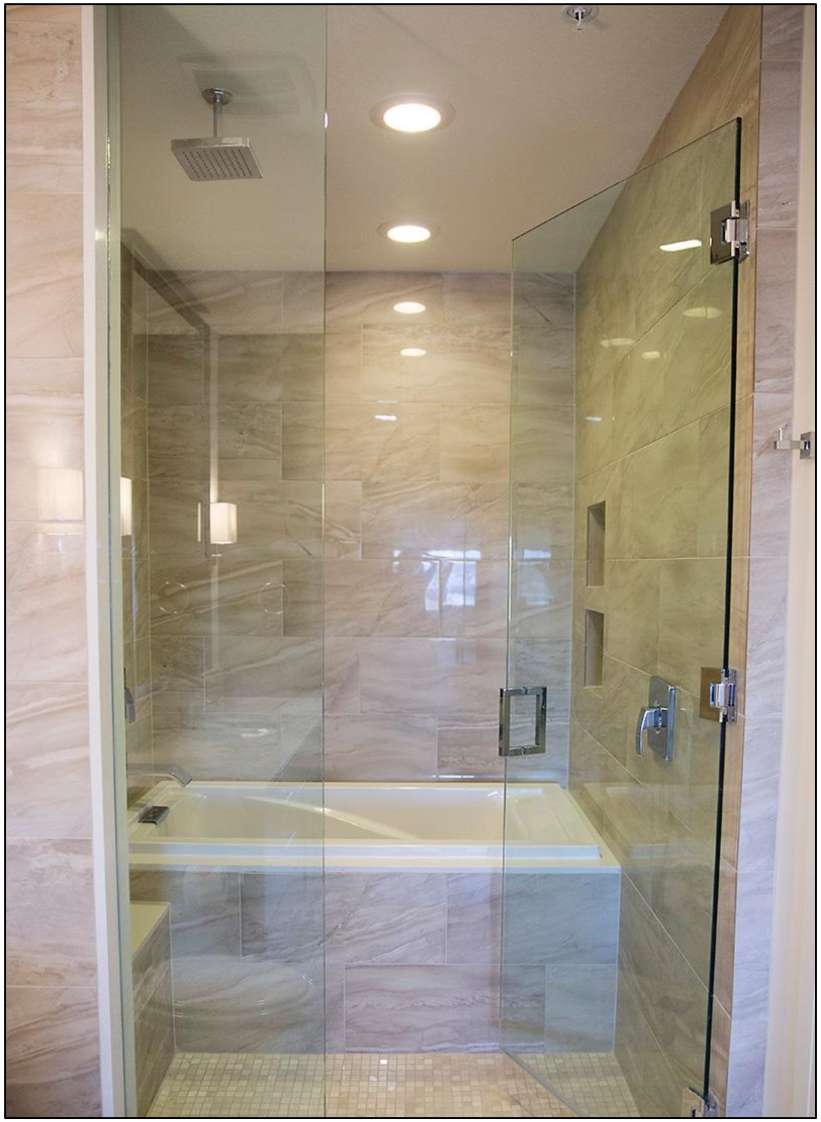

Sovereign at Regent Square
Houston, TX
592 sq. ft.

Maple District Lofts
Dallas, TX
589 to 609 sq. ft.

The Standard at Cityline
Richardson, TX
540 sq. ft.

# Enclosed Glass Shower and Bath Combo

# Vertical Spa



# Hanging Vanity

# California Closets

# Double Sink Console and Freestanding Soaking Bathtub

# Contemporary Doors with Xeriscape Garden Entry

# Wood Paneled Accent Wall in Dining Room

# Marketing Strategies

# Millennials versus Baby Boomers

"Both looking for urban alternatives to low density single family housing"



- ✓ Willing to trade square footage for location
- ✓ Like connectivity and want to be close to retail centers, employment centers, public infrastructure and parks
- ✓ Very price sensitive and will go into more transitional areas
- ✓ More willing to share:  transportation, housing and information

- ✓ Willing to pay for location
- ✓ Like lock and leave, low maintenance of urban master planned communities
- ✓ Embrace "move down" lifestyle
- ✓ Want to be close to restaurants, parks, museums, and theatres
- ✓ Safety conscious and prefer downstairs living

# Popular Inner Loop Neighborhoods Price and Rent Comparison

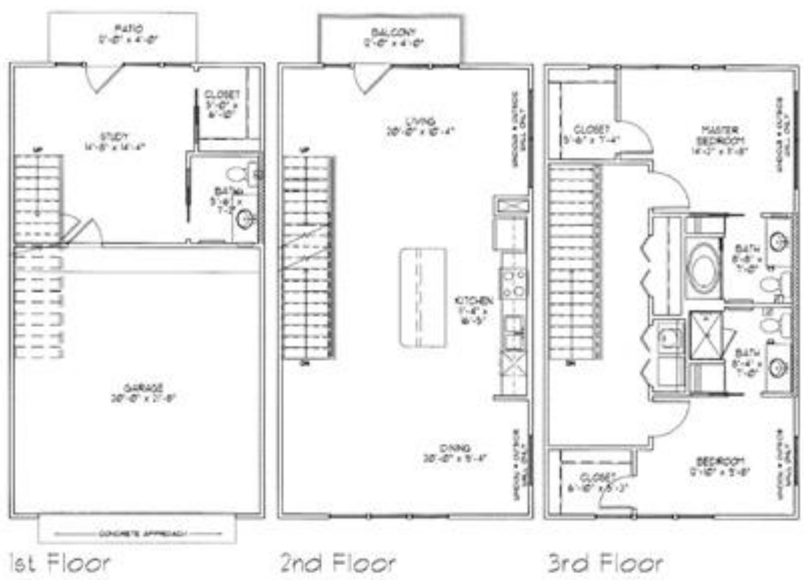
| Zip Code | Neighborhood | SFD New Home | SFD Existing | SFA New Home | SFA Existing | Market Rent |
|---|---|---|---|---|---|---|
| 77002 | Downtown | $ 486,869 | $ 377,710 | n.a. | $ 246,455 | $ 2,048 |
| 77006 | Montrose | $ 623,271 | $ 471,608 | $ 630,609 | $ 256,672 | $ 1,764 |
| 77098 | Museum District | $ 906,128 | $ 580,403 | $ 525,333 | $ 464,032 | no new apts. |
| 77007 | The Heights | $ 454,213 | $ 419,583 | $ 440,712 | $ 369,663 | $ 1,841 |
| 77009 | The Heights | $ 420,468 | $ 381,456 | $ 274,263 | $ 241,410 | no new apts. |
| 77008 | The Heights | $ 425,166 | $ 447,537 | $ 474,191 | $ 301,218 | no new apts. |
| 77019 | Montrose/River Oaks | $ 640,166 | $ 568,619 | $ 873,750 | $ 306,362 | $ 2,249 |
| 77005 | West U/Bellaire | $ 1,090,660 | $ 965,673 | $ 1,575,381 | $ 313,281 | $ 1,791 |

Source: Zonda and Meyers Research

| Purchase Price | 20% Down | 5% interest, 30 yr note |
|---|---|---|
| $250,000 | $50,000 | $1,074 |
| $350,000 | $70,000 | $1,503 |
| $450,000 | $90,000 | $1,933 |
| $550,000 | $110,000 | $2,362 |
| $650,000 | $130,000 | $2,791 |


PRESTON HOLLOW
PRESTON HOLLOW
PRESTON HOLLOW
PRESTON HOLLOW VILLAGE
ZIEGLER COOPER

# Floor Plans Designed for Target Markets

# Underwriting

# High Multifamily Market Rent Makes Infill SF Development Challenging

- ✓ *"The prevalence of particular structure types is a function of land costs, zoning regulations, and historical development."*
- ✓ *"At the height of the homeownership boom, more than four out of 10 new multifamily units were built for sale. But with the recent rental market recovery, the share of multifamily units intended for renter occupancy rebounded to more than nine out of 10."*

*America's Rental Housing--Evolving Markets and Needs by Joint Center for Housing Studies of Harvard University, 2013*

| Rent | Correlation | Interpretation |
|---|---|---|
| % Attached Sales of Total Sales | -0.93 | Higher rents impact land costs and make less dense products unfeasible resulting in fewer single family attached sales as a % of total sales in the neighborhood |
| Number of Single Family Total Sales | -0.62 | In neighborhoods with high rents, fewer single family homes are sold |

# Higher Land Prices Driving Mixed Use

- Mixed use developments vertically incorporating retail, residential and even office
- Buyers are willing to pay more for live, work, and play style of development
  - Rent Premiums as high as $400 per month
- In more dense developments, the cost of amenities and land can be spread over more units

# **Sustainable** Growth Strategies

| | 200 Urban Residences | 200 Typical Suburban Homes | 200 High-End Suburban Homes |
|---|---|---|---|
| **Development Areas** | One acre | 50-70 acres | 220-230 acres |
| **Landscape Irrigation** | Zero gal/yr | 15 million gal/yr | 40 million gal/yr |
| **Electricity** | $60/month | $100-$300/month | $250-$500/month |
| **Tax Value** | $80m - $150m/acre | $700k-$1.2m/acre | $1.5m/acre |

*Prepared by Terry Mitchell of Momark Development and Lower Colorado River Authority*